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State Dept. review completed

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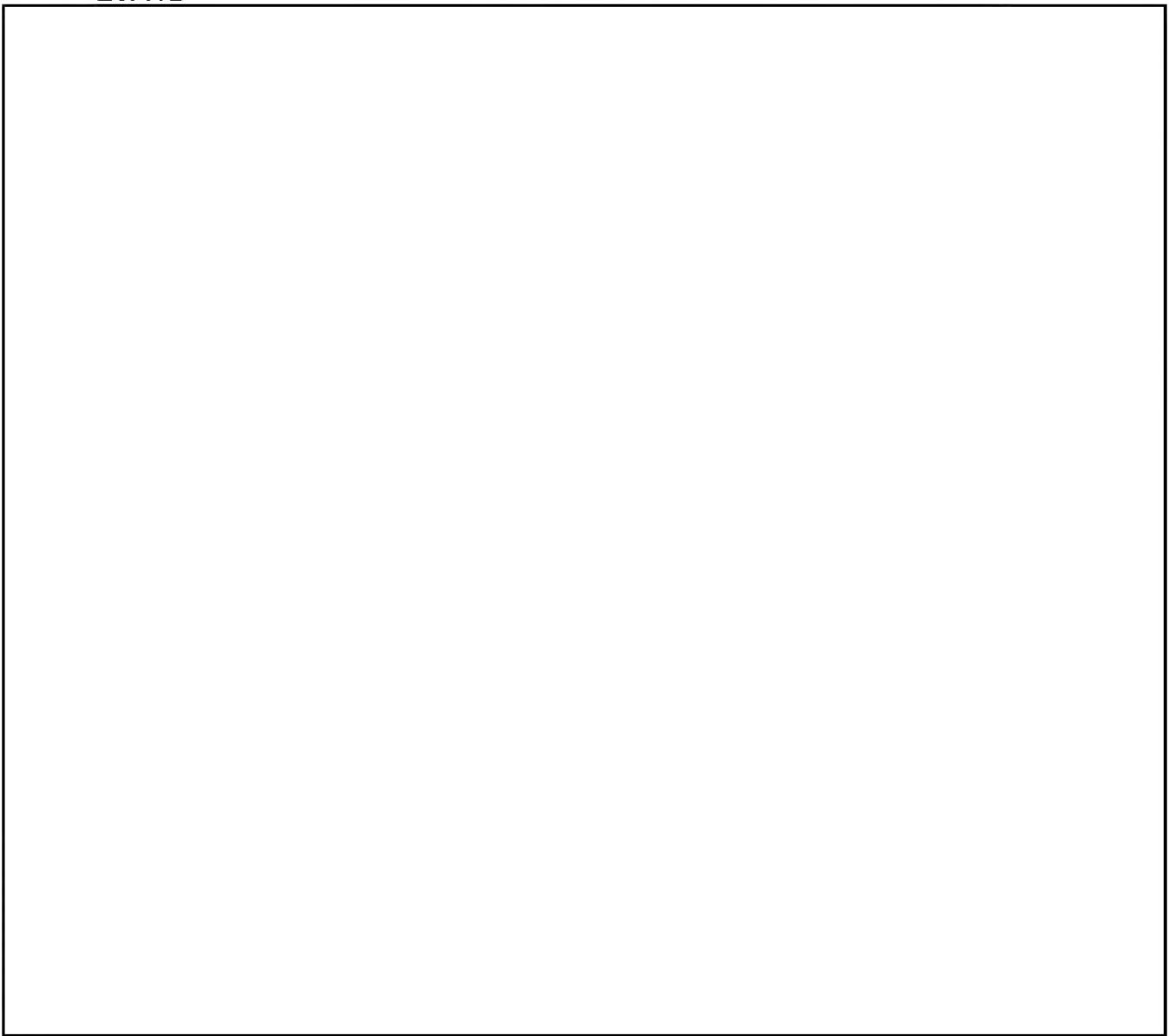
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SOVIET UNION



FAR EAST

2. Comment on new Japanese cabinet:

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The new Hatoyama cabinet is composed exclusively of Democrats, with a number of hold-overs, and accurately reflects the balance of power among competing factions within the Democratic Party.

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The retention of Foreign Minister Shigemitsu against Hatoyama's wishes, may serve as a brake on the prime minister's efforts toward accommodation with the Communist bloc. Hatoyama has already started to undercut Shigemitsu, however, by announcing he would consult Arata Sugihara, his original choice as foreign minister, on the appointment of the chief Japanese delegate to the Japan-USSR negotiations in New York.

Sugihara has been appointed director of the Defense Board and, according to Japanese defense officials, this will have an adverse effect on Japanese rearmament. The appointment of an able, aggressive welfare minister and the retention of strong personalities in economic posts emphasize the continuance of the "butter over guns" policy.

Hatoyama's frail health and his party's minority position in the Diet make it evident that the new government will be short-lived. Former prime minister Yoshida's Liberals have pledged co-operation on legislation of mutual interest, but their action in joining the Socialists to elect a Liberal speaker and Socialist vice-speaker in the lower house serves notice that their co-operation will not be automatic.

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25X1A 4. Iraq reportedly approached to help overthrow Syrian cabinet:

[redacted] Iraq's acting foreign minister told the American ambassador in Baghdad on 17 March that his government has been receiving requests from the president of Syria and other friendly elements for help in establishing a conservative, pro-Iraqi cabinet in Syria.

The Iraqi official said that the kind of help desired had not been defined. He asked whether the Syrians had approached the United States, and urged "sympathetic understanding" of such requests.

Comment: The Iraqi official's statement seems to be an indirect bid for American support and suggests that Iraqi planning for a coup in Syria may have reached an advanced stage. The Iraqis presumably would first seek to overthrow the government by parliamentary means and would consider military intervention only if this effort failed.

Syrian president Atasi implied on 7 March that he was considering asking Iraq to send troops to Damascus to block the establishment of Egyptian military control there.

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25X1A 5. Comment on differences among Balkan allies:

[Redacted]

Apparent differences over the purposes of the Balkan alliance threaten continued co-operation among Greece, Yugoslavia and Turkey.

Turkish prime minister Menderes asserts that Belgrade has consistently dragged its heels on carrying out the military aspects of the pact, and he believes that Yugoslavia may hope, in the event of war, to be "another World War II Sweden."

Greece and Yugoslavia, however, express complete satisfaction with their joint military co-ordination. Ambassador Cannon in Athens and Ambassador Riddleberger in Belgrade both believe that Marshal Tito has no illusions that he can remain neutral.

On the other hand, Greece believes that Ankara's interest in the military aspect of the tripartite pact is secondary to its interest in the political advantages of the pact.

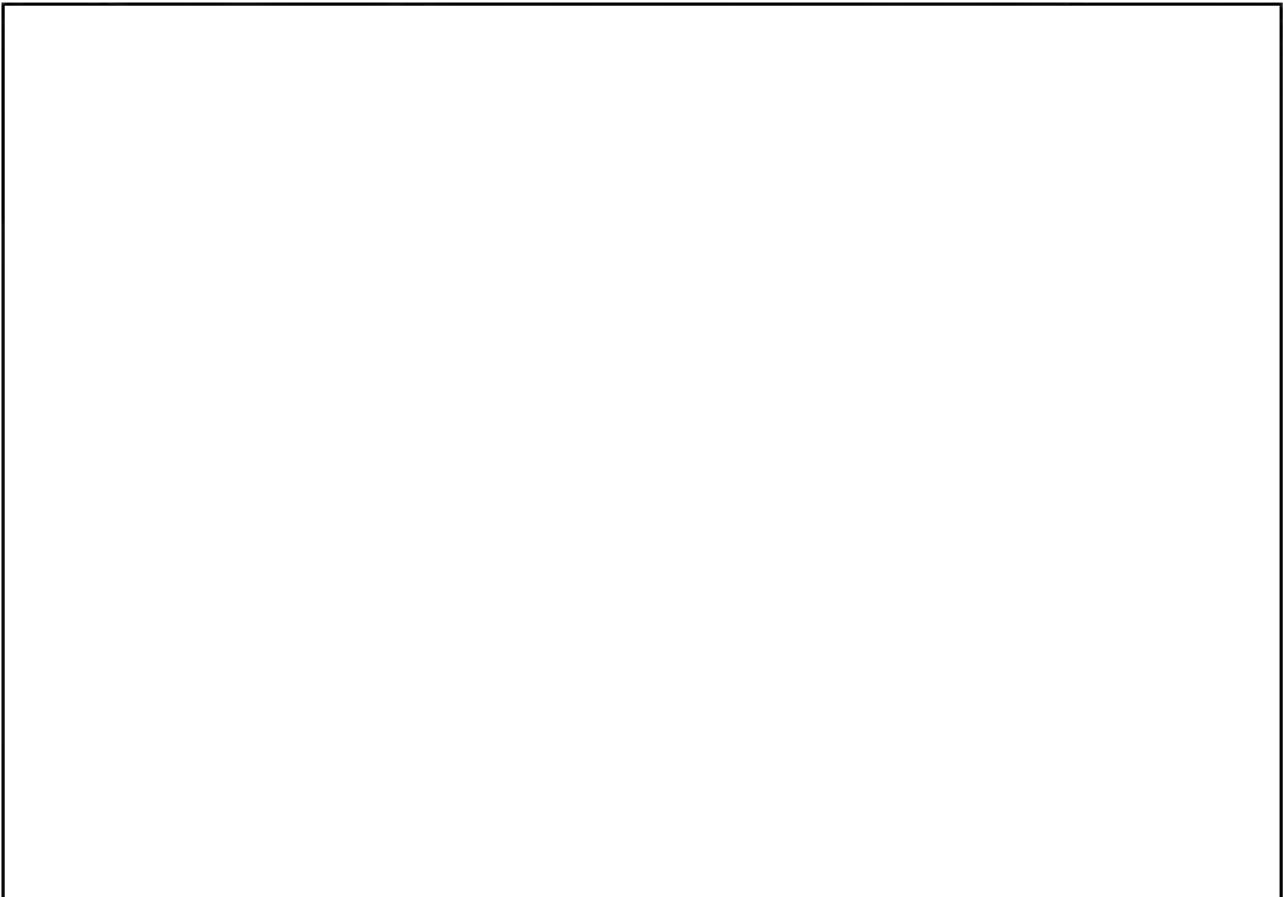
The Greeks accuse the Turks also of having "continuously tried to stall and even subvert" the creation of the Balkan parliamentary assembly. They probably feel Turkey has no interest in a purely Balkan entente but intends to use pact membership to strengthen its influence with the major Western powers and to enhance its prestige in the Mediterranean and Near East areas.

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25X1A<sup>7</sup>. Comment on 1955 Polish budget:

The Warsaw broadcast on the 1955 Polish budget reveals that allocations for national defense are scheduled to increase about

12 percent this year--the same percentage as Soviet defense allocations--in order to "maintain full vigilance in the face of the designs of imperialist circles, aimed at a revival of German imperialism."

Though total budget allocations will rise 11 percent, the increase in planned defense outlays cannot be attributed solely to the larger over-all size of the budget. Last year the budget defense allocations showed no increase, while total budgetary allocations rose by 6.4 percent.

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Finance Minister Dietrich called the expansion of heavy industry the basis of the further development of the national economy and also placed "special emphasis on the development of agricultural production," as did the recent policy announced in the Soviet Union.

Emphasis on consumers' goods production will apparently continue through 1955, however, as the 1955 plan calls for a greater increase in the output of consumer goods than of heavy industrial equipment. An official commentator has stated that these rates of increase are "exceptional" and a departure from a "binding principle."

Poland is likely to place primary emphasis on heavy industry when a new long-term plan is inaugurated in 1956.

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9. Break with Communists reportedly sought by Nenni Socialists:

A movement is under way in Italy to separate the Nenni Socialists from the Communists,

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Participants are leaders of the Nenni Socialists, Democratic Socialists, Republicans, various splinter left-of-center parties, and the left wing of the Liberals. The aim is to find, through the creation of a political alternative to the present center government coalition, a solution to the current impasse which prevents the government from acting on pressing problems.

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Comment: The Scelba government's days appear numbered because of failure to achieve concrete results on its reform program, and a turn to the left is a distinct possibility. Nenni has reportedly declared he would support any government committed to a more social-minded policy than the present one.

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the Communist Party is encouraging a break with the Nenni Socialists. Nenni Socialist participation in a left-of-center government would serve Communist purposes by undermining Italy's pro-Western ties.

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